



February 19, 2010

The Honorable Debbie Matz, Chairman
The Honorable Christine Gigi Hyland, Board Member
The Honorable Michael E. Fryzel, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Opposition to Regulation 704

Dear Members of the NCUA Board:

As a member of the Peoples Choice Federal Credit Union Board of Directors, I have grave concerns regarding the potential negative impact of Regulation 704 on our credit union. Peoples Choice is a \$60 Million credit union with 13,200 members. As a small credit union we rely heavily on the services provided by SunCorp, a corporate credit union serving the mid-west region.

As proposed, Regulation 704 could have a devastating impact on the future viability of corporate credit unions. While the underlying goals of Regulation 704, such as increased capital requirements, asset diversification and liquidity, along with more effective asset risk management, are good policy, the heavy-handed approach of this regulation may have just the opposite of its intended effect. The arbitrary investment limits which will be imposed, coupled with unreasonable liquidity limitations, will increase fees charged by corporate credit unions and decrease the rates of return offered on their products. Also troubling is the requirement to extinguish capital before the realization of actual losses. In turn, natural credit unions such as Peoples Choice would lose the benefits of belonging to a corporate credit union, forcing them to look to competitors such as local banks to fill the gap.

It must be kept in mind the corporate credit union system operates on a cooperative model for the benefit of its natural person credit union members, just as natural person credit unions operate for the benefit of its members. Imposing strict for-profit, capital market disciplines over these cooperative principles is not only inappropriate, but also jeopardizes the financial viability of the entire system.

Sincerely,

Kerry P. Eagan, Board Member
Peoples Choice Federal Credit Union